

1 S.55

2 Introduced by Senator Lyons

3 Referred to Committee on Finance

4 Date: February 4, 2015

5 Subject: Taxation; estate taxes; rate; exclusion amount

6 Statement of purpose of bill as introduced: This bill proposes to create an
7 estate tax with a flat rate and to bring Vermont's estate exclusion amount in
8 line with the amount used at the federal level.

9 An act relating to creating a flat rate for Vermont's estate tax and creating
10 an estate tax exclusion amount that matches the federal amount

11 It is hereby enacted by the General Assembly of the State of Vermont:

12 Sec. 1. 32 V.S.A. § 7402(13) is amended to read:

13 (13) "Vermont gross estate" means for any decedent the value of the
14 federal gross estate under the laws of the United States, in excess of
15 \$2,450,000.00 without adjustment for any amount under 26 U.S.C.
16 § 2010(c)(4), but after adding back federal adjusted taxable gifts made by the
17 decedent within one year of death and excluding the value of real or tangible
18 personal property which has an actual situs outside Vermont at the time of
19 death of the decedent, ~~and also excluding in.~~ In the case of a nonresident of

1 Vermont the value of intangible personal property owned by the decedent shall
2 also be excluded.

3 Sec. 2. 32 V.S.A. § 7442a is amended to read:

4 § 7442a. IMPOSITION OF A VERMONT ESTATE TAX AND RATE OF
5 TAX

6 (a) A 16 percent tax is hereby imposed on the transfer of the Vermont
7 taxable estate of every decedent ~~dying on or after January 1, 2002, who, at the~~
8 ~~time of death, was a resident of this State. The base amount of this tax shall be~~
9 ~~a sum equal to the amount of the credit for State death taxes allowable to a~~
10 ~~decedent's estate under 26 U.S.C. § 2011 as in effect on January 1, 2001. This~~
11 ~~base amount shall be reduced by the lesser of the following:~~

12 (1) ~~The total amount of all constitutionally valid State death taxes~~
13 ~~actually paid to other states; or~~

14 (2) ~~A sum equal to the proportion of the credit which the value of the~~
15 ~~property taxed by other states bears to the value of the decedent's total gross~~
16 ~~estate for federal estate tax purposes.~~

17 (b) ~~A tax is hereby imposed on the transfer of the Vermont estate of every~~
18 ~~decedent dying on or after January 1, 2002, who, at the time of death, was not~~
19 ~~a resident of this State. The amount of this tax shall be a sum equal to the~~
20 ~~proportion of the base amount of tax under subsection (a) of this section which~~
21 ~~the value of Vermont real and tangible personal property taxed in this State~~

1 ~~bears to the value of the decedent's total gross estate for federal estate tax~~
2 ~~purposes.~~

3 (c) ~~The Vermont estate tax shall not exceed the amount of the tax imposed~~
4 ~~by 26 U.S.C. § 2001 calculated as if the applicable exclusion amount under 26~~
5 ~~U.S.C. § 2010 were \$2,750,000.00, and with no deduction under 26 U.S.C. §~~
6 ~~2058.~~

7 ~~(d)~~(b) All values shall be as finally determined for federal estate tax
8 purposes.

9 Sec. 3. 32 V.S.A. § 7475 is amended to read:

10 § 7475. ADOPTION OF FEDERAL ESTATE AND GIFT TAX LAWS

11 The laws of the United States relating to federal estate and gift taxes as in
12 effect on December 31, ~~2013~~ 2014, are hereby adopted for the purpose of
13 computing the tax liability under this chapter, except:

14 ~~(1) the credit for State death taxes shall remain as provided for under 26~~
15 ~~U.S.C. §§ 2011 and 2604 as in effect on January 1, 2001;~~

16 ~~(2) the applicable credit amount shall under 26 U.S.C. § 2010 shall not~~
17 ~~apply; and the tax imposed under section 7442a of this chapter shall be~~
18 ~~calculated as if the applicable exclusion amount under 26 U.S.C. § 2010 were~~
19 ~~\$2,750,000.00; and~~

20 ~~(3) the deduction for State death taxes under 26 U.S.C. § 2058 shall not~~
21 ~~apply~~ to the extent such laws conflict with any provision of this chapter.

1 Sec. 4. 32 V.S.A. § 7402(13) is amended to read:

2 (13) "Vermont gross estate" means for any decedent the value of the
3 federal gross estate under the laws of the United States in excess of ~~\$2,450,000~~
4 \$3,900,000.00 without adjustment for any amount under § Section 2010(c)(4)
5 of the Internal Revenue Code, but after adding back federal adjusted taxable
6 gifts made by the decedent within ~~one year~~ two years of death and excluding
7 the value of real or tangible personal property which has an actual situs outside
8 Vermont at the time of death of the decedent. In the case of a nonresident of
9 Vermont the value of intangible personal property owned by the decedent shall
10 also be excluded.

11 Sec. 5. 32 V.S.A. § 7402(13) is amended to read:

12 (13) "Vermont gross estate" means for any decedent the value of the
13 federal gross estate under the laws of the United States in excess of ~~\$3,900,000~~
14 the basic exclusion amount under 26 U.S.C. § 2010(c)(3) without adjustment
15 for any amount under § Section 2010(c)(4) of the Internal Revenue Code, but
16 after adding back federal adjusted taxable gifts made by the decedent within
17 ~~one year~~ three years of death and excluding the value of real or tangible
18 personal property which has an actual situs outside Vermont at the time of
19 death of the decedent. In the case of a nonresident of Vermont, the value of
20 intangible personal property owned by the decedent shall also be excluded.

1 Sec. 6. EFFECTIVE DATES

2 (a) Notwithstanding 1 V.S.A. § 214, this section and Secs. 1–3 (estate tax)
3 shall take effect ~~retroactively on January 1, 2015~~ *on January 1, 2016*, and apply
4 to decedents dying after ~~December 31, 2014~~ *December 31, 2015*, except that the
5 annual update of the estate tax link to the Internal Revenue Code shall take effect
6 retroactively to January 1, 2014, and apply to decedents dying on or after January
7 1, 2014.

8 (b) Sec. 4 (exclusion amount of \$3,900,000.00) shall take effect on January 1,
9 2017, and apply to decedents dying after December 31, 2016.

10 (c) Sec. 5 (federal exclusion amount) shall take effect on January 1, 2019, and
11 apply to decedents dying after December 31, 2018.